LOWELL JOINT SCHOOL DISTRICT

ORANGE COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2022

NIGRO & NIGRO PC

## FINANCIAL SECTION



## REQUIRED SUPPLEMENTARY INFORMATION



## SUPPLEMENTARY INFORMATION

## OTHER INDEPENDENT AUDITORS' REPORTS



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

# *Financial Section*

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A Professional Accountancy Corporation

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees
Lowell Joint School District
Whittier, California

**Report on the Audit of the Financial Statements**

***Opinions***
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowell Joint School District, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lowell Joint School District, as of June 30, 2022, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the LEA Organization Structure, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents, except for the LEA Organization Structure, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The LEA Organization Structure has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards,* we have also issued our report dated December 13, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
December 13, 2022

This discussion and analysis of Lowell Joint School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## FINANCIAL HIGHLIGHTS

- The District's overall financial status increased from last year, as the net position increased by 103.0% to $217,145.
- Total governmental revenues were $45.6 million, $7.5 million more than expenses.
- The District's combined fund balances decreased by $7.7 million, primarily due to the expenditure of general obligation bond funds.
- The total cost of basic programs was $38.1 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was $28.0 million.
- Available reserves for the General Fund increased by $3.3 million. Revenues were $40.5 million and expenditures were $38.6 million, resulting in an overall increase to the final balance.

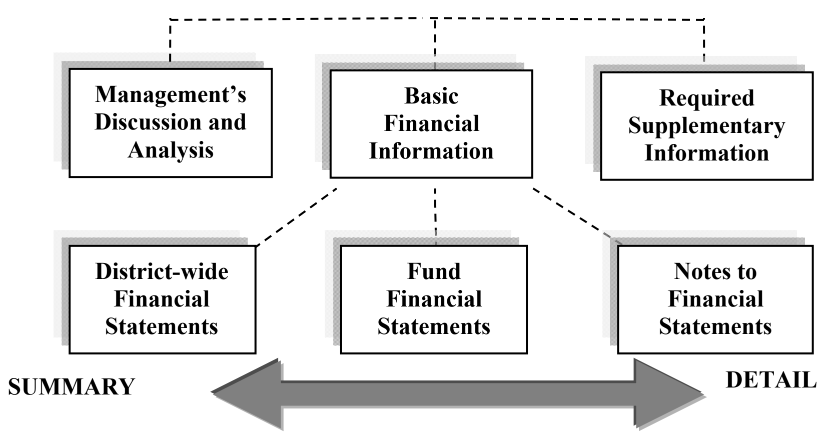
## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1. Organization of Lowell Joint School District's Annual Financial Report**



**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**District-Wide Statements**
The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

**Fund Financial Statements**
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has one kind of fund:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position.** The District's combined net position was higher on June 30, 2022, than it was the year before – increasing 103.0% to $217,145 (See Table A-1).

**Table A-1: Statement of Net Position**

| | Governmental Activities | | Variance Increase |
|---|---|---|---|
| | 2022 | 2021 | (Decrease) |
| **Assets** | | | |
| Current assets | $ 58,762,068 | $ 64,923,111 | $ (6,161,043) |
| Capital assets | 33,774,513 | 21,593,976 | 12,180,537 |
| **Total assets** | 92,536,581 | 86,517,087 | 6,019,494 |
| **Total Deferred outflows of resources** | 13,360,913 | 12,892,855 | 468,058 |
| **Liabilities** | | | |
| Current liabilities | 7,115,811 | 5,148,152 | 1,967,659 |
| Long-term liabilities | 80,436,095 | 98,635,587 | (18,199,492) |
| **Total liabilities** | 87,551,906 | 103,783,739 | (16,231,833) |
| **Total Deferred inflows of resources** | 18,128,443 | 2,883,345 | 15,245,098 |
| **Net position** | | | |
| Net investment in capital assets | 3,703,846 | 2,043,605 | 1,660,241 |
| Restricted | 5,222,739 | 5,944,295 | (721,556) |
| Unrestricted | (8,709,440) | (15,245,042) | 6,535,602 |
| **Total net position** | $ 217,145 | $ (7,257,142) | $ 7,474,287 |

**Changes in net position, governmental activities.** The District's total revenues increased 17.9% to $45.6 million (See Table A-2). The increase is due primarily to increased federal and state grant funding.

The total cost of all programs and services increased 3.8% to $38.1 million. The District's expenses are predominantly related to educating and caring for students, 74.5%. The purely administrative activities of the District accounted for just 6.4% of total costs. A significant contributor to the increase in costs was increased spending from federal and state grants.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Table A-2: Statement of Activities**

| | Governmental Activities 2022 | Governmental Activities 2021 | Variance Increase (Decrease) |
|---|---|---|---|
| **Revenues** | | | |
| Program Revenues: | | | |
| Charges for services | $ 300,324 | $ 100,659 | $ 199,665 |
| Operating grants and contributions | 9,736,281 | 7,467,591 | 2,268,690 |
| General Revenues: | | | |
| Property taxes | 13,703,284 | 13,451,054 | 252,230 |
| Federal and state aid not restricted | 20,604,487 | 16,060,367 | 4,544,120 |
| Other general revenues | 1,211,845 | 1,551,967 | (340,122) |
| **Total Revenues** | 45,556,221 | 38,631,638 | 6,924,583 |
| **Expenses** | | | |
| Instruction-related | 25,315,191 | 25,038,327 | 276,864 |
| Pupil services | 3,056,593 | 2,564,797 | 491,796 |
| Administration | 2,429,641 | 2,630,862 | (201,221) |
| Plant services | 4,150,215 | 4,217,115 | (66,900) |
| All other activities | 3,130,294 | 2,249,632 | 880,662 |
| **Total Expenses** | 38,081,934 | 36,700,733 | 1,381,201 |
| Increase (decrease) in net position | $ 7,474,287 | $ 1,930,905 | $ 5,543,382 |
| **Total Net Position** | $ 217,145 | $ (7,257,142) | |

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $52.3 million, which is below last year's ending fund balance of $60.0 million. The primary cause of the decreased fund balance is ongoing capital outlay expenditures from bond funds.

**Table A-3: The District's Fund Balances**

| | Fund Balances July 1, 2021 | Revenues | Expenditures | Other Sources and (Uses) | June 30, 2022 |
|---|---|---|---|---|---|
| **Fund** | | | | | |
| General Fund | $ 12,332,803 | $ 40,466,236 | $ 38,561,922 | $ (100,000) | $ 14,137,117 |
| Student Activity Fund | 30,223 | 33,801 | 7,249 | - | 56,775 |
| Child Development Fund | - | - | - | 100,000 | 100,000 |
| Cafeteria Fund | 1,033,349 | 2,012,785 | 1,522,064 | - | 1,524,070 |
| Deferred Maintenance Fund | 2,899,023 | 90,645 | 704,009 | - | 2,285,659 |
| Building Fund | 29,956,615 | 160,169 | 11,737,708 | - | 18,379,076 |
| Capital Facilities Fund | 1,162,551 | 273,409 | 975,941 | - | 460,019 |
| Special Reserve Fund (Capital Outlay) | 9,858,213 | 4,196,151 | 224,107 | - | 13,830,257 |
| Bond Interest and Redemption Fund | 2,691,802 | 1,237,057 | 2,446,288 | - | 1,482,571 |
| Totals | $ 59,964,579 | $ 48,470,253 | $ 56,179,288 | $ - | $ 52,255,544 |

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $4.4 million primarily to reflect changes in federal and state categorical funding estimates.
- Salaries and benefits costs – increased $2.3 million due to revised benefit estimates.
- Other expenditures – increased by $3.7 million to re-budget prior years carryover funds.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $0.3 million, the actual results for the year show that revenues exceeded expenditures by roughly $1.9 million. Actual revenues were $1.6 million more than anticipated, and expenditures were $0.6 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2022, that will be carried over into the 2022-23 budget, offset by STRS on-behalf contributions from the State that were not budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2021-22 the District had invested $13.1 million in new capital assets, related to ongoing modernization projects. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was $944,676.

**Table A-4: Capital Assets at Year End, Net of Depreciation**

| | Governmental Activities | | Variance Increase (Decrease) |
|---|---|---|---|
| | 2022 | 2021 | |
| Land | $ 1,428,571 | $ 1,428,571 | $ - |
| Improvement of sites | 1,104,036 | 1,117,733 | (13,697) |
| Buildings | 16,853,388 | 10,683,993 | 6,169,395 |
| Equipment | 841,816 | 694,651 | 147,165 |
| Construction in progress | 13,546,702 | 7,669,028 | 5,877,674 |
| Totals | $ 33,774,513 | $ 21,593,976 | $ 12,180,537 |

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Long-Term Debt

At year-end the District had $80.4 million in long-term debt – a decrease of 18.5% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

**Table A-5: Outstanding Long-Term Debt at Year-End**

| | Governmental Activities | | Variance Increase |
|---|---|---|---|
| | 2022 | 2021 | (Decrease) |
| General obligation bonds | $ 48,449,743 | $ 49,506,986 | $ (1,057,243) |
| Compensated absences | 365,196 | 353,149 | 12,047 |
| Other postemployment benefits | 12,790,605 | 14,410,512 | (1,619,907) |
| Net pension liability | 18,830,551 | 34,364,940 | (15,534,389) |
| Totals | $ 80,436,095 | $ 98,635,587 | $ (18,199,492) |

## FACTORS BEARING ON THE DISTRICT'S FUTURE

***State Budget***

The Legislature passed a final budget package on June 29, 2022. The budget package assumes that 2022-23 will end with nearly $28 billion in total reserves. This consists of: (1) $23.3 billion in the Budget Stabilization Account; (2) $3.5 billion in the Special Fund for Economic Uncertainties (SFEU); and (3) $900 million in the Safety Net Reserve, which is available for spending on the State's safety net programs, like Medi-Cal. In addition to the general-purpose reserves described above, the Proposition 98 Reserve (dedicated to school and community college spending) would reach $9.5 billion under the spending plan.

***Federal Funds Expected to Decline Significantly Between 2021-22 and 2022-23***

In the budget federal funds decline $175 billion, or 55 percent, between 2021-22 and 2022-23. This decline is the result of several significant federal programs enacted in response to COVID-19 expiring in 2022-23. For example, the enhanced Federal Medical Assistance Percentage for the State's Medicaid program (which the administration assumes will expire in December 2022) and $27 billion in fiscal relief funding from the American Rescue Plan. However, there are also some increases in federal funds in 2022-23 related to the Infrastructure Investment and Jobs Act.

***Significant Increase in School and Community College Funding***

The Proposition 98 minimum guarantee depends upon various formulas that adjust for several factors, including changes in State General Fund revenue. For 2021-22, the guarantee is up $16.5 billion (17.6 percent) compared with the estimates made in June 2021. This increase represents one of the largest upward revisions since the adoption of Proposition 98 and is due to higher General Fund revenue estimates. For 2022-23, the guarantee increases by an additional $117 million (0.1 percent) relative to the revised 2021-22 level.

## FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

***Makes Required Reserve Deposit and Funds New Programs***
When the minimum funding requirement is growing quickly, the Constitution requires the State to deposit some of the available funding into a statewide reserve account for schools and community colleges. Under the adopted budget plan, the State deposits a total of $9.5 billion into this account across the 2020-21 through 2022-23 period—an increase of $4.5 billion compared with the estimates made in June 2021. The budget allocates the remaining funds for significant one-time and ongoing program increases. For schools, the largest ongoing augmentation is $7.9 billion to provide a 13 percent increase to the Local Control Funding Formula and provide greater fiscal stability to school districts experiencing declining attendance. The budget plan also includes $12.1 billion in one-time funding for two K-12 block grants—$7.9 billion focused on learning recovery and $3.6 billion intended for arts, music, and instructional materials. In addition, the budget plan includes $841 million one time for facilities maintenance and instructional equipment and $650 million one time for a COVID-19 block grant.

***Adjusts Guarantee Upwards for Expansion of Transitional Kindergarten***
The June 2021 budget plan established a plan to expand eligibility for transitional kindergarten beginning in 2022-23. Under the plan, all four-year old children will be eligible by 2025-26. (Previously, only children born between September 2 and December 2 were eligible.) The Legislature and Governor also agreed the State would cover the associated costs by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools. Consistent with this agreement, the budget plan includes an increase in the 2022-23 guarantee of $614 million related to the first-year costs of the expansion.

***School Facilities Grants***
The budget allocates $1.4 billion (non-Proposition 98 General Fund) attributable to 2021-22 for school facilities grants. Of this total, $1.3 billion is to cover the State share for new construction and modernization projects under the School Facilities Program. These funds supplement existing funds from Proposition 51, the State school bond approved by voters in 2016. (Funding from Proposition 51 will likely be exhausted in 2022-23.) The remaining $100 million is for schools to construct or renovate State Preschool, transitional kindergarten, and full-day kindergarten classrooms.

***Reserve Cap Triggered***
As a result of the balance in the Public School System Stabilization Account, the statutory limitation on school district reserves has been triggered for the 2022-23 budget period, pursuant to Education Code (EC) Section 42127.01(e). Beginning with the 2022-23 fiscal year, the district reserve cap requires that a school district's adopted or revised budget pursuant to EC Section 42127 shall not contain a combined assigned or unassigned ending general fund balance of more than 10 percent of those funds. Assigned and unassigned balances within the Special Fund for Other than Capital Outlay shall also be included within the 10 percent reserve cap. The reserve cap requirement does not apply to small school districts or basic aid school districts pursuant to EC Section 42127.01(c).

All of these factors were considered in preparing the Lowell Joint School District budget for the 2022-23 fiscal year.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (562) 943-0211.

## LOWELL JOINT SCHOOL DISTRICT

*Statement of Net Position*
*June 30, 2022*

| | Total Governmental Activities |
|---|---|
| **ASSETS** | |
| Deposits and investments | $ 54,058,264 |
| Accounts receivable | 4,620,461 |
| Inventories | 4,067 |
| Other current assets | 79,276 |
| Capital assets: | |
| Non-depreciable assets | 14,975,273 |
| Depreciable assets | 33,845,247 |
| Less accumulated depreciation | (15,046,007) |
| Total assets | 92,536,581 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred outflows related to pensions | 9,644,022 |
| Deferred outflows related to OPEB | 3,716,891 |
| Total deferred outflows of resources | 13,360,913 |
| **LIABILITIES** | |
| Accounts payable | 5,594,898 |
| Accrued interest payable | 609,287 |
| Unearned revenue | 911,626 |
| Noncurrent liabilities | |
| Due or payable within one year | 797,244 |
| Due or payable after one year: | |
| Other than OPEB and pensions | 48,017,695 |
| Total OPEB liability | 12,790,605 |
| Net pension liability | 18,830,551 |
| Total liabilities | 87,551,906 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows related to pensions | 14,776,494 |
| Deferred inflows related to OPEB | 3,351,949 |
| Total deferred inflows of resources | 18,128,443 |
| **NET POSITION** | |
| Net investment in capital assets | 3,703,846 |
| Restricted for: | |
| Capital projects | 409,288 |
| Debt service | 1,482,571 |
| Educational programs | 3,330,880 |
| Student activity | 56,775 |
| Unrestricted | (8,709,440) |
| Total net position | $ 217,145 |

## LOWELL JOINT SCHOOL DISTRICT

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2022*

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Instructional Services: | | | | |
| Instruction | $ 22,021,719 | $ 8,525 | $ 5,302,469 | $ (16,710,725) |
| Instruction-Related Services: | | | | |
| Supervision of instruction | 717,128 | - | 171,044 | (546,084) |
| Instructional library, media and technology | 637,785 | - | - | (637,785) |
| School site administration | 1,938,559 | - | 526,865 | (1,411,694) |
| Pupil Support Services: | | | | |
| Home-to-school transportation | 109,047 | - | - | (109,047) |
| Food services | 1,317,724 | 27,957 | 1,797,067 | 507,300 |
| All other pupil services | 1,629,822 | - | 1,107,935 | (521,887) |
| General Administration Services: | | | | |
| Data processing services | 110,816 | - | - | (110,816) |
| Other general administration | 2,318,825 | 1,397 | 275,947 | (2,041,481) |
| Plant services | 4,150,215 | 2,845 | 228,158 | (3,919,212) |
| Ancillary services | 26,536 | - | 32,950 | 6,414 |
| Interest on long-term debt | 1,808,712 | - | - | (1,808,712) |
| Other outgo | 350,370 | 259,600 | 293,846 | 203,076 |
| Depreciation (unallocated) | 944,676 | - | - | (944,676) |
| Total Governmental Activities | $ 38,081,934 | $ 300,324 | $ 9,736,281 | (28,045,329) |

| | |
|---|---|
| **General Revenues:** | |
| Property taxes | 13,703,284 |
| Federal and state aid not restricted to specific purpose | 20,604,487 |
| Interest and investment earnings | 240,821 |
| Miscellaneous | 971,024 |
| Total general revenues | 35,519,616 |
| Change in net position | 7,474,287 |
| Net position - July 1, 2021 | (7,257,142) |
| Net position - June 30, 2022 | $ 217,145 |

## LOWELL JOINT SCHOOL DISTRICT

*Balance Sheet – Governmental Funds*

*June 30, 2022*

| | General Fund | Building Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Deposits and investments | $ 16,759,454 | $ 19,908,032 | $ 13,900,872 | $ 3,489,906 | $ 54,058,264 |
| Accounts receivable | 4,013,807 | 7,300 | 5,368 | 593,986 | 4,620,461 |
| Due from other funds | 403,349 | 9,067 | 749 | 100,455 | 513,620 |
| Inventories | - | - | - | 4,067 | 4,067 |
| Other current assets | 79,276 | - | - | - | 79,276 |
| Total Assets | $ 21,255,886 | $ 19,924,399 | $ 13,906,989 | $ 4,188,414 | $ 59,275,688 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| **Liabilities** | | | | | |
| Accounts payable | $ 3,849,817 | $ 1,319,094 | $ 76,401 | $ 349,586 | $ 5,594,898 |
| Due to other funds | 100,455 | 226,229 | 331 | 186,605 | 513,620 |
| Unearned revenue | 882,838 | - | - | 28,788 | 911,626 |
| Total Liabilities | 4,833,110 | 1,545,323 | 76,732 | 564,979 | 7,020,144 |
| **Fund Balances** | | | | | |
| Nonspendable | 10,000 | - | - | 4,067 | 14,067 |
| Restricted | 2,109,008 | 18,379,076 | - | 3,468,637 | 23,956,721 |
| Assigned | 9,372,889 | - | 13,830,257 | 150,731 | 23,353,877 |
| Unassigned | 4,930,879 | - | - | - | 4,930,879 |
| Total Fund Balances | 16,422,776 | 18,379,076 | 13,830,257 | 3,623,435 | 52,255,544 |
| Total Liabilities and Fund Balances | $ 21,255,886 | $ 19,924,399 | $ 13,906,989 | $ 4,188,414 | $ 59,275,688 |

| | | | |
|---|---|---|---|
| **Total fund balances - governmental funds** | | | $ 52,255,544 |
| Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds because: | | | |
| In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. | | | |
| | Capital assets at historical cost: | 48,820,520 | |
| | Accumulated depreciation: | (15,046,007) | |
| | Net: | | 33,774,513 |
| In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: | | | (609,287) |
| In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to government-wide statements, consist of: | | | |
| | General obligation bonds payable | 48,449,743 | |
| | Compensated absences | 365,196 | |
| | Other postemployment benefits payable | 12,790,605 | |
| | Net pension liability | 18,830,551 | |
| | Total: | | (80,436,095) |
| In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. | | | |
| | Deferred outflows of resources relating to pensions | 9,644,022 | |
| | Deferred inflows of resources relating to pensions | (14,776,494) | |
| | Net: | | (5,132,472) |
| In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported. | | | |
| | Deferred outflows of resources relating to OPEB | 3,716,891 | |
| | Deferred inflows of resources relating to OPEB | (3,351,949) | |
| | Net: | | 364,942 |
| **Total net position - governmental activities** | | | $ 217,145 |

## LOWELL JOINT SCHOOL DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*
*For the Fiscal Year Ended June 30, 2022*

| | General Fund | Building Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| LCFF sources | $ 28,940,309 | $ - | $ - | $ - | $ 28,940,309 |
| Federal sources | 3,578,710 | - | - | 1,857,990 | 5,436,700 |
| Other state sources | 4,895,068 | - | 3,404,552 | 126,870 | 8,426,490 |
| Other local sources | 3,142,794 | 160,169 | 791,599 | 1,572,192 | 5,666,754 |
| Total Revenues | 40,556,881 | 160,169 | 4,196,151 | 3,557,052 | 48,470,253 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| Instruction | 26,304,500 | - | - | - | 26,304,500 |
| Instruction-related services: | | | | | |
| Supervision of instruction | 876,894 | - | - | - | 876,894 |
| Instructional library, media and technology | 676,018 | - | - | - | 676,018 |
| School site administration | 2,252,689 | - | - | - | 2,252,689 |
| Pupil support services: | | | | | |
| Home-to-school transportation | 109,047 | - | - | - | 109,047 |
| Food services | - | - | - | 1,347,139 | 1,347,139 |
| All other pupil services | 1,927,731 | - | - | - | 1,927,731 |
| Ancillary services | 23,317 | - | - | 7,249 | 30,566 |
| General administration services: | | | | | |
| Data processing services | 117,628 | - | - | - | 117,628 |
| Other general administration | 2,406,845 | - | - | 3,864 | 2,410,709 |
| Plant services | 3,973,771 | 143,465 | 18,050 | 130,581 | 4,265,867 |
| Transfers of indirect costs | (44,344) | - | - | 44,344 | - |
| Intergovernmental | 350,370 | - | - | - | 350,370 |
| Capital outlay | 291,465 | 11,594,243 | 206,057 | 972,077 | 13,063,842 |
| Debt service: | | | | | |
| Principal | - | - | - | 960,000 | 960,000 |
| Interest | - | - | - | 1,486,288 | 1,486,288 |
| Total Expenditures | 39,265,931 | 11,737,708 | 224,107 | 4,951,542 | 56,179,288 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,290,950 | (11,577,539) | 3,972,044 | (1,394,490) | (7,709,035) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Interfund transfers in | - | - | - | 100,000 | 100,000 |
| Interfund transfers out | (100,000) | - | - | - | (100,000) |
| Total Other Financing Sources and Uses | (100,000) | - | - | 100,000 | - |
| Net Change in Fund Balances | 1,190,950 | (11,577,539) | 3,972,044 | (1,294,490) | (7,709,035) |
| Fund Balances, July 1, 2021 | 15,231,826 | 29,956,615 | 9,858,213 | 4,917,925 | 59,964,579 |
| Fund Balances, June 30, 2022 | $ 16,422,776 | $ 18,379,076 | $ 13,830,257 | $ 3,623,435 | $ 52,255,544 |

## LOWELL JOINT SCHOOL DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities*
*For the Fiscal Year Ended June 30, 2022*

| | | |
|---|---|---|
| **Total net change in fund balances - governmental funds** | | $ (7,709,035) |
| Amounts reported for governmental *activities* in the statement of activities are different because: | | |
| In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was: | | |
| Expenditures for capital outlay | 13,125,213 | |
| Depreciation expense | (944,676) | |
| Net: | | 12,180,537 |
| In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were: | | 960,000 |
| In governmental funds, if debt is issued at a premium or at a discount, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period was: | | 97,243 |
| In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: | | (419,667) |
| In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: | | (12,047) |
| In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis and actual employer contributions was: | | 2,729,936 |
| In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: | | (352,680) |
| **Change in net position of governmental activities** | | $ 7,474,287 |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lowell Joint School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

### A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

The District has evaluated the activity of the Lowell Joint Education Foundation and has determined that the Foundation does not meet the criteria to be reported as a component unit.

### B. Basis of Presentation, Basis of Accounting

#### 1. Basis of Presentation

**District-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation, Basis of Accounting (continued)**

**1. Basis of Presentation (continued)**

**Fund Financial Statements**
The fund financial statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

**Major Governmental Funds**
The District maintains the following major governmental funds:

**General Fund:** This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Deferred Maintenance Fund which does not currently meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

**Non-Major Governmental Funds**
The District maintains the following non-major governmental funds:

**Special Revenue Funds:** Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Student Activity Fund**: The District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

**Cafeteria Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090 and 38093).

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation, Basis of Accounting (continued)**

**1. Basis of Presentation (continued)**

**Non-Major Governmental Funds (continued)**

**Capital Projects Funds:** Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

**Capital Facilities Fund:** This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code* Sections 15125-15262).

**2. Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation, Basis of Accounting (continued)**

**3. Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

**D. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

**1. Cash and Cash Equivalents**

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position(continued)**

**2. Inventories and Prepaid Items**
Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**3. Capital Assets**
Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Description | Estimated Lives |
|---|---|
| Buildings | 20-50 years |
| Land Improvements | 5-40 years |
| Machinery and Equipment | 2-15 years |

**4. Unearned Revenue**
Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**5. Deferred Outflows/Inflows of Resources**
In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

**6. Compensated Absences**
The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**7. Leases**

Lessee:
At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor:
At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

**7. Leases (continued)**

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**8. Postemployment Benefits Other Than Pensions (OPEB)**
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**9. Pensions**
For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**10. Fund Balances**
The fund balance for Governmental Funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable**: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted**: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

**10. Fund Balances (continued)**

**Committed**: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned**: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned**: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

**11. Net Position**

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position** – This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**F. Minimum Fund Balance Policy**

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than five percent of total General Fund expenditures and other financing uses.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Minimum Fund Balance Policy (continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

**G. Property Tax Calendar**

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

**H. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Deposits and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

| | | |
|---|---|---|
| Governmental funds and activities | $ | 54,058,264 |

Deposits and investments as of June 30, 2022 consist of the following:

| | | |
|---|---|---|
| Cash on hand and in banks | $ | 90,202 |
| Cash in revolving fund | | 10,000 |
| Investments | | 53,958,062 |
| Total deposits and investments | $ | 54,058,264 |

**Pooled Funds**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

**Pooled Funds(continued)**

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2022, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**Custodial Credit Risk – Deposits**
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2022, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

**Investments - Interest Rate Risk**
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2022, consist of the following:

| | Fair Value | Less Than One Year | One Year Through Five Years | Fair Value Measurement | Rating |
|---|---|---|---|---|---|
| Investments: | | | | | |
| Orange County Investment Pool | $ 53,958,062 | $ 53,958,062 | $ - | Uncategorized | N/A |

**Investments - Credit Risk**
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2022, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

**Investments - Concentration of Credit Risk**
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2022, the District had no investments outside of the County Pool.

## NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

### Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Orange County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

## NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2022, consisted of the following:

| | Governmental Funds | | | | |
|---|---|---|---|---|---|
| | General Fund | Building Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Totals |
| Federal Government: | | | | | |
| Categorical aid programs | $ 1,649,600 | $ - | $ - | $ 334,112 | $ 1,983,712 |
| Special education | 1,439,507 | - | - | - | 1,439,507 |
| State Government: | | | | | |
| LCFF | 12,007 | - | - | - | 12,007 |
| Lottery | 181,368 | - | - | - | 181,368 |
| Categorical aid programs | 321,485 | - | - | 22,078 | 343,563 |
| Local: | | | | | |
| Interest | - | 7,300 | - | 1,249 | 8,549 |
| Special education | 228,978 | - | - | - | 228,978 |
| Other local | 180,862 | - | 5,368 | 236,547 | 422,777 |
| Total | $ 4,013,807 | $ 7,300 | $ 5,368 | $ 593,986 | $ 4,620,461 |

## NOTE 4 – INTERFUND ACTIVITIES

### A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2022, consisted of the following:

| | | |
|---|---|---|
| General Fund due to Child Development Fund to open the fund for 2021-22 | $ | 100,000 |
| Building Fund due to General Fund to cover site relocation and to move and clear the holding credits | | 226,229 |
| Cafeteria Fund due to General Fund to move and clear holding credits | | 177,538 |
| Other miscellaneous interfund receivables and payables | | 9,853 |
| Total | $ | 513,620 |

### B. Interfund Transfers In/Out

| | | |
|---|---|---|
| General Fund transfer to Child Development Fund to open the fund for 2022-23 | $ | 100,000 |

## NOTE 5 – FUND BALANCES

At June 30, 2022, fund balances of the District's governmental funds were classified as follows:

| | General Fund | Building Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total |
|---|---|---|---|---|---|
| Nonspendable: | | | | | |
| Revolving cash | $ 10,000 | $ - | $ - | $ - | $ 10,000 |
| Inventories | - | - | - | 4,067 | 4,067 |
| Total Nonspendable | 10,000 | - | - | 4,067 | 14,067 |
| Restricted: | | | | | |
| Categorical programs | 1,806,810 | - | - | - | 1,806,810 |
| Student activity | - | - | - | 56,775 | 56,775 |
| Food service program | - | - | - | 1,520,003 | 1,520,003 |
| Deferred maintenance program | 302,198 | - | - | - | 302,198 |
| Capital projects | - | 18,379,076 | - | 409,288 | 18,788,364 |
| Debt service | - | - | - | 1,482,571 | 1,482,571 |
| Total Restricted | 2,109,008 | 18,379,076 | - | 3,468,637 | 23,956,721 |
| Assigned: | | | | | |
| Chromebooks/textbooks | 3,050,000 | - | - | - | 3,050,000 |
| GASB 75-retiree health benefits | 3,884,344 | - | - | - | 3,884,344 |
| 21-22 Site Carryover | 455,084 | - | - | - | 455,084 |
| Child development projects | - | - | - | 100,000 | 100,000 |
| Deferred maintenance program | 1,983,461 | - | - | - | 1,983,461 |
| Capital outlay projects | - | - | 13,830,257 | 50,731 | 13,880,988 |
| Total Assigned | 9,372,889 | - | 13,830,257 | 150,731 | 23,353,877 |
| Unassigned: | | | | | |
| Reserve for economic uncertainties | 1,838,189 | - | - | - | 1,838,189 |
| Remaining unassigned balances | 3,092,690 | - | - | - | 3,092,690 |
| Total Unassigned | 4,930,879 | - | - | - | 4,930,879 |
| Total | $ 16,422,776 | $ 18,379,076 | $ 13,830,257 | $ 3,623,435 | $ 52,255,544 |

## NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2022, was as follows:

| | Balance, July 1, 2021 | Additions | Retirements | Balance, June 30, 2022 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 1,428,571 | $ - | $ - | $ 1,428,571 |
| Construction in progress | 7,669,028 | 12,902,826 | 7,025,152 | 13,546,702 |
| Total capital assets not being depreciated | 9,097,599 | 12,902,826 | 7,025,152 | 14,975,273 |
| Capital assets being depreciated: | | | | |
| Improvement of sites | 2,026,948 | 52,181 | - | 2,079,129 |
| Buildings | 21,898,968 | 6,963,968 | - | 28,862,936 |
| Equipment | 2,671,792 | 231,390 | - | 2,903,182 |
| Total capital assets being depreciated | 26,597,708 | 7,247,539 | - | 33,845,247 |
| Accumulated depreciation for: | | | | |
| Improvement of sites | (909,215) | (65,878) | - | (975,093) |
| Buildings | (11,214,975) | (794,573) | - | (12,009,548) |
| Equipment | (1,977,141) | (84,225) | - | (2,061,366) |
| Total accumulated depreciation | (14,101,331) | (944,676) | - | (15,046,007) |
| Total capital assets being depreciated, net | 12,496,377 | 6,302,863 | - | 18,799,240 |
| Governmental activity capital assets, net | $ 21,593,976 | $ 19,205,689 | $ 7,025,152 | $ 33,774,513 |

## NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS

Changes in long-term debt for the year ended June 30, 2022, were as follows:

| | Balance, July 1, 2021 | Additions | Deductions | Balance, June 30, 2022 | Amount Due Within One Year |
|---|---|---|---|---|---|
| General Obligation Bonds: | | | | | |
| Principal payments | $ 46,700,000 | $ - | $ 960,000 | $ 45,740,000 | $ 700,000 |
| Issuance premiums | 2,806,986 | - | 97,243 | 2,709,743 | 97,244 |
| Sub-total - bonds | 49,506,986 | - | 1,057,243 | 48,449,743 | 797,244 |
| Compensated Absences | 353,149 | 12,047 | - | 365,196 | - |
| Totals | $ 49,860,135 | $ 12,047 | $ 1,057,243 | $ 48,814,939 | $ 797,244 |

General Obligations Bonds will be paid from the Bond Interest and Redemption Fund. Compensated absences will be paid for by the fund for which the employee worked.

### General Obligation Bonds

**Election of 2018**

On November 6, 2018, the voters of the District approved by more than 55% Measure LL, authorizing the Board of Trustees to issue general obligation bonds in an amount not to exceed $48,000,000. Proceeds from the sale of the bonds authorized by Measure LL shall be used for the purpose of making essential repairs and upgrades to neighborhood schools.

## NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

### General Obligation Bonds (continued)

A summary of bonds issued by the District is below:

| Series | Issue Date | Maturity Date | Interest Rate | Original Issue | Balance, July 1, 2021 | Additions | Deductions | Balance, June 30, 2022 |
|---|---|---|---|---|---|---|---|---|
| ***Election of 2018 (Measure LL)*** | | | | | | | | |
| Series 2019 | 7/16/2019 | 8/1/2048 | 3.0% - 5.0% | $ 14,000,000 | $ 12,700,000 | $ - | $ 960,000 | $ 11,740,000 |
| Series 2020 | 10/28/2020 | 8/1/2050 | 2.25% - 5.00% | 34,000,000 | 34,000,000 | - | - | 34,000,000 |
| | | | | | $ 46,700,000 | $ - | $ 960,000 | $ 45,740,000 |

The annual requirements to amortize general obligation bonds payable outstanding at June 30, 2022 were as follows:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2022-2023 | $ 700,000 | $ 1,444,788 | $ 2,144,788 |
| 2023-2024 | 10,000 | 1,427,038 | 1,437,038 |
| 2024-2025 | 80,000 | 1,424,788 | 1,504,788 |
| 2025-2026 | 145,000 | 1,419,163 | 1,564,163 |
| 2026-2027 | 215,000 | 1,410,163 | 1,625,163 |
| 2027-2032 | 2,335,000 | 6,778,313 | 9,113,313 |
| 2032-2037 | 5,150,000 | 5,868,138 | 11,018,138 |
| 2037-2042 | 8,990,000 | 4,410,738 | 13,400,738 |
| 2042-2047 | 13,485,000 | 2,824,978 | 16,309,978 |
| 2047-2051 | 14,630,000 | 774,316 | 15,404,316 |
| Totals | $ 45,740,000 | $ 27,782,423 | $ 73,522,423 |

## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2022, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

| | Net OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|---|---|---|---|---|
| District Plan | $ 12,622,973 | $ 3,716,891 | $ 3,351,949 | $ 963,739 |
| MPP Program | 167,632 | - | - | (4,724) |
| Totals | $ 12,790,605 | $ 3,716,891 | $ 3,351,949 | $ 959,015 |

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**District Plan**

The details of each plan are as follows:

***Plan Description***
The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

***Benefits Provided***
The District makes the required statutory PEMHCA contribution as described above, subject to the "Equal Contribution Method" under which the District's contribution for retirees is equal to its basic contribution for active employees. The District also pays a percent-of-premiums administrative fee to PEMHCA for each retiree. Further, the District makes supplemental contributions towards certain eligible retirees' premiums until age 65, as described below.

Employees who have completed at least 10 years of service with the District, and are at least age 55 at retirement, are eligible to receive a monthly District contribution under one of two options: (1) the lesser of the PEMHCA option they have selected, or the single-party Kaiser rate for the Los Angeles Area, plus retiree-only dental and vision coverage through ASCIP; or (2) the lesser of the PEMHCA option they have selected, or the two-party Kaiser rate for the Los Angeles Area; both offset by the District's statutory minimum contribution to PEMHCA. Supplemental benefits are payable until age 65, after which the contribution reverts to the statutory minimum for the retiree's further lifetime.

Employees hired after July 1, 2013 must be at least age 60 at retirement in order to be eligible for District supplemental contributions described above.

Supplemental benefits are pro-rated for employees who worked less than eight hours per day in accordance with the employee contracts.

Three former Board Members, one retired superintendent, and one sitting Board Member are entitled to lifetime District-paid medical, dental, vision and life coverage for retiree and/or spouse.

***Employees covered by benefit terms***
At July 1, 2021, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 61 |
| Active employees | 218 |
| Total | 279 |

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**District Plan (continued)**

***Contributions***
The required contribution is based on projected pay-as-you-go financing requirements. As of the measurement date, no assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75. The District adopted an irrevocable trust in June 2022, with initial contributions posted in July 2022. The trust will be reflected in reporting information for fiscal year ending June 30, 2023.

***Total OPEB Liability***
The District's total OPEB liability of $12,622,973 for the Plan was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2021. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

***Actuarial assumptions and other inputs***
The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Valuation Date | July 1, 2021 |
| Inflation | 3.00% |
| Salary increases | 3.00% |
| Healthcare cost trend rates | 6.00 percent for 2021, 5.75 percent for 2022, 5.50 percent for 2023, 5.20 percent for 2024-2069, and 4.50 percent for 2070 and later years; Medicare ages: 4.50 percent for all years. |

***Discount Rate***
For OPEB Plans that are not administered through trusts that meet the criteria in paragraph 4, GASB 75 requires a discount rate that is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

| Reporting Date | Measurement Date | Fidelity GO AA 20 Years Municipal Index | Discount Rate |
|---|---|---|---|
| June 30, 2021 | June 30, 2020 | 2.45% | 2.45% |
| June 30, 2022 | June 30, 2021 | 1.92% | 1.92% |

***Mortality Rates***
Mortality rates are from the CalSTRS Experience Analysis (2015-2018) and CalPERS Experience Study (1997-2015).

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**District Plan(continued)**

**Changes in the Total OPEB Liability**

| | Total OPEB Liability |
|---|---|
| **Balance at July 1, 2020** | $ 14,238,156 |
| **Changes for the year:** | |
| Service cost | 615,993 |
| Interest | 358,485 |
| Differences between expected and actual experience | (3,268,001) |
| Benefit payments | (446,920) |
| Changes of assumptions | 1,125,260 |
| Net changes | (1,615,183) |
| **Balance at June 30, 2021** | $ 12,622,973 |

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| Discount Rate | OPEB Liability |
|---|---|
| 1% decrease | $ 14,975,623 |
| Current discount rate | $ 12,622,973 |
| 1% increase | $ 10,787,449 |

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

| Healthcare Cost Trend Rate | OPEB Liability |
|---|---|
| 1% decrease | $ 10,452,208 |
| Current trend rate | $ 12,622,973 |
| 1% increase | $ 15,516,077 |

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**District Plan (continued)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***
For the year ended June 30, 2022, the District recognized OPEB expense of $963,739. In addition, at June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| District contributions subsequent to the measurement date of the net OPEB liability | $ 617,114 | $ - |
| Differences between expected and actual experience | - | 2,975,648 |
| Changes of assumptions | 3,099,777 | 376,301 |
| Totals | $ 3,716,891 | $ 3,351,949 |

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

| Year Ended June 30: | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2023 | $ 471,322 | $ 482,061 |
| 2024 | 471,322 | 482,061 |
| 2025 | 471,322 | 482,061 |
| 2026 | 471,322 | 482,061 |
| 2027 | 471,322 | 400,572 |
| Thereafter | 743,167 | 1,023,133 |
| Totals | $ 3,099,777 | $ 3,351,949 |

**Medicare Premium Payment (MPP) Program**

***Plan Description***
The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

***Benefits Provided***
The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2021, 5,096 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 25930, contributions that would otherwise be credited to the Defined Benefit Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

***Total OPEB Liability***
At June 30, 2022, the District reported a liability of $167,632 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2021, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

| | Percentage Share of MPP Program | | |
|---|---|---|---|
| | **Fiscal Year Ending June 30, 2022** | **Fiscal Year Ending June 30, 2021** | **Change Increase/ (Decrease)** |
| Measurement Date | June 30, 2021 | June 30, 2020 | |
| Proportion of the Net OPEB Liability | 0.042027% | 0.684900% | -0.642873% |

For the year ended June 30, 2022, the District reported OPEB expense of $(4,724).

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

***Actuarial Assumptions and Other Inputs***
The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Measurement Date | June 30, 2021 |
| Valuation Date | June 30, 2020 |
| Experience Study | June 30, 2014 through June 30, 2018 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 2.16% |
| Healthcare Cost Trend Rates | 4.5% for Medicare Part A, and<br>5.4% for Medicare Part B |

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population of 152,062.

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP–2019) table issued by the Society of Actuaries.

***Discount Rate***
The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2021, was 2.16%, which is a decrease from 2.21% as of June 30, 2020.

## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

### Medicare Premium Payment (MPP) Program (continued)

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| Discount Rate | MPP OPEB Liability |
|---|---|
| 1% decrease | $ 184,777 |
| Current discount rate | $ 167,632 |
| 1% increase | $ 152,984 |

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates***
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

| Medicare Cost Trend Rates | MPP OPEB Liability |
|---|---|
| 1% decrease | $ 152,442 |
| Current trend rate | $ 167,632 |
| 1% increase | $ 185,047 |

## NOTE 9 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2022, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| Pension Plan | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| CalSTRS | $ 12,723,736 | $ 6,994,649 | $ 12,063,328 | $ 1,148,976 |
| CalPERS | 6,106,815 | 2,649,373 | 2,713,166 | 651,515 |
| Totals | $ 18,830,551 | $ 9,644,022 | $ 14,776,494 | $ 1,800,491 |

**NOTE 9 – PENSION PLANS (continued)**

The details of each plan are as follows:

**A. California State Teachers' Retirement System (CalSTRS)**

**Plan Description**
The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

**Benefits Provided**
The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

| | **STRP Defined Benefit Program** | |
|---|---|---|
| | On or before | On or after |
| Hire Date | December 31, 2012 | January 1, 2013 |
| Benefit Formula | 2% at 60 | 2% at 62 |
| Benefit Vesting Schedule | 5 years of service | 5 years of service |
| Benefit Payments | Monthly for life | Monthly for life |
| Retirement Age | 60 | 62 |
| Monthly Benefits as a Percentage of Eligible Compensation | 2.0%-2.4% | 2.0%-2.4% |
| Required Member Contribution Rate | 10.25% | 10.205% |
| Required Employer Contribution Rate | 16.92% | 16.92% |
| Required State Contribution Rate | 10.828% | 10.828% |

**NOTE 9 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Contributions**
The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. California Senate Bill 90 (Chapter 33, Statutes of 2019) and California Assembly Bill 84 (Chapter 16, Statutes of 2020) (collectively, special legislation)—signed into law in June 2019 and June 2020, respectively—provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

The contribution rates for each program for the year ended June 30, 2022, are presented above, and the District's total contributions were $2,752,736.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**
At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|---|
| Total net pension liability, including State share: | |
| District's proportionate share of net pension liability | $ 12,723,736 |
| State's proportionate share of the net pension liability associated with the District | 6,402,090 |
| Total | $ 19,125,826 |

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

| | Percentage Share of Risk Pool | | |
|---|---|---|---|
| | **Fiscal Year Ending June 30, 2022** | **Fiscal Year Ending June 30, 2021** | **Change Increase/ (Decrease)** |
| Measurement Date | June 30, 2021 | June 30, 2020 | |
| Proportion of the Net Pension Liability | 0.027959% | 0.026836% | 0.001123% |

**NOTE 9 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2022, the District recognized pension expense of $1,148,976. In addition, the District recognized pension expense and revenue of $(1,115,894) for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 2,752,736 | $ - |
| Net change in proportionate share of net pension liability | 2,407,222 | 644,455 |
| Difference between projected and actual earnings on pension plan investments | - | 10,064,803 |
| Changes of assumptions | 1,802,818 | - |
| Differences between expected and actual experience | 31,873 | 1,354,070 |
| Totals | $ 6,994,649 | $ 12,063,328 |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2023 | $ 1,406,158 | $ 3,058,842 |
| 2024 | 1,406,997 | 2,792,669 |
| 2025 | 396,670 | 2,867,041 |
| 2026 | 396,670 | 3,026,878 |
| 2027 | 306,176 | 177,542 |
| Thereafter | 329,242 | 140,356 |
| Totals | $ 4,241,913 | $ 12,063,328 |

**NOTE 9 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Actuarial Methods and Assumptions**
The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2020 |
| Experience Study | July 1, 2015 through June 30, 2018 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.10% |
| Consumer Price of Inflation | 2.75% |
| Wage Growth | 3.50% |

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP–2019) table issued by the Society of Actuaries.

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study.

For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Public Equity | 42.0% | 4.8% |
| Real Estate | 15.0% | 3.6% |
| Private Equity | 13.0% | 6.3% |
| Fixed Income | 12.0% | 1.3% |
| Risk Mitigating Strategies | 10.0% | 1.8% |
| Inflation Sensitive | 6.0% | 3.3% |
| Cash/Liquidity | 2.0% | (0.4%) |

**NOTE 9 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Discount Rate**
The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.10%) | $ 25,900,972 |
| Current discount rate (7.10%) | 12,723,736 |
| 1% increase (8.10%) | 1,786,881 |

**On Behalf Payments**
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately $2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $1,798,138.

**B. California Public Employees Retirement System (CalPERS)**

**Plan Description**
Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb.

**NOTE 9 – PENSION PLANS (continued)**

**B. California Public Employees Retirement System (CalPERS) (continued)**

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

| | **Schools Pool (CalPERS)** | |
|---|---|---|
| | On or before | On or after |
| Hire Date | December 31, 2012 | January 1, 2013 |
| Benefit Formula | 2% at 55 | 2% at 62 |
| Benefit Vesting Schedule | 5 years of service | 5 years of service |
| Benefit Payments | Monthly for life | Monthly for life |
| Retirement Age | 55 | 62 |
| Required Employee Contribution Rate | 7.00% | 7.00% |
| Required Employer Contribution Rate | 22.91% | 22.91% |

**Contributions**

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022 are presented above, and the total District contributions were $1,095,450.

**NOTE 9 – PENSION PLANS (continued)**

**B. California Public Employees Retirement System (CalPERS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $6,106,815. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

| | Percentage Share of Risk Pool | | |
|---|---|---|---|
| | **Fiscal Year Ending June 30, 2022** | **Fiscal Year Ending June 30, 2021** | **Change Increase/ (Decrease)** |
| Measurement Date | June 30, 2021 | June 30, 2020 | |
| Proportion of the Net Pension Liability | 0.030032% | 0.027240% | 0.002792% |

For the year ended June 30, 2022, the District recognized pension expense of $651,515. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 1,095,450 | $ - |
| Net change in proportionate share of net pension liability | 1,060,752 | 44,289 |
| Difference between projected and actual earnings on pension plan investments | 310,868 | 2,654,481 |
| Changes of assumptions | - | - |
| Differences between expected and actual experience | 182,303 | 14,396 |
| Totals | $ 2,649,373 | $ 2,713,166 |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years.

**NOTE 9 – PENSION PLANS (continued)**

**B. California Public Employees Retirement System (CalPERS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2023 | $ 536,400 | $ 748,155 |
| 2024 | 444,186 | 656,603 |
| 2025 | 367,434 | 656,603 |
| 2026 | 205,903 | 651,805 |
| 2027 | - | - |
| Thereafter | - | - |
| Totals | $ 1,553,923 | $ 2,713,166 |

**Actuarial Methods and Assumptions**
Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020 used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation Date | June 30, 2020 |
| Experience Study | 1997-2015 |
| Actuarial Cost Method | Entry age normal |
| Discount Rate | 7.15% |
| Inflation Rate | 2.50% |
| Salary Increases | Varies by entry age and service |

Post-retirement mortality rates are based on CalPERS experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**NOTE 9 – PENSION PLANS (continued)**

**B. California Public Employees Retirement System (CalPERS) (continued)**

**Actuarial Methods and Assumptions (continued)**
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Real Return Years 1-10 | Real Return Years 11+ |
|---|---|---|---|
| Public Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Assets | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Assets | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | (0.92%) |

**Discount Rate**
The discount rate used to measure the total pension liability was 7.15%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.15%) | $ 10,296,947 |
| Current discount rate (7.15%) | 6,106,815 |
| 1% increase (8.15%) | 2,628,106 |

**C. Social Security**
As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

**D. Payables to the Pension Plans**
At June 30, 2022, the District reported no payables for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans.

## NOTE 10 – JOINT VENTURES

Lowell Joint School District participates in a joint venture under joint powers agreements (JPAs) with the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. Audited financial statements are available from the respective entities.

The JPA provides medical, property and liability insurance coverage and workers' compensation insurance coverage for their members. The JPA is governed by a board consisting of a representative for each district category. The governing board controls the operations of its JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate only to its participation in the JPA.

## NOTE 11 – RISK MANAGEMENT

**Property and Liability**
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the District participated in the ASCIP public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**
For fiscal year 2022, the District was in the ASCIP JPA for workers' compensation, with York Risk Services Group acting as claims administrator. The District has $431,786 on hand with ASCIP from separation from the Whittier Area Schools Insurance Authority (WASIA) Joint Powers Agency (JPA) in 2011 for workers' compensation reserves to be held until maturity of prior year claims.

**Employee Medical Benefits**
The District has contracted with CalPERS to provide employee health and welfare benefits.

## NOTE 12 – COMMITMENTS AND CONTINGENCIES

**A. State and Federal Allowances, Awards and Grants**
The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**B. Construction Commitments**
As of June 30, 2022, the District had commitments with respect to unfinished capital projects of approximately $9.5 million.

**C. Litigation**
The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2022.

## NOTE 13 – DEFERRED COMPENSATION PLAN

The District has adopted a deferred compensation plan on February 14, 1998 in accordance with Internal Revenue Code Section 457 for its eligible employees. Under this plan, employees may choose to defer income until retirement or termination. The District established a custodial agreement with Credit Union of Southern California (CUSC) and created a custodial account on behalf of the plan participants.

The District makes no contributions under the plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in such custodial account for the exclusive benefit of the employee participants and their beneficiaries. The District determined that the custodial account established with CUSC qualifies as a third party trust agreement as described in GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Section 457 Deferred Compensation plans. Accordingly, the Plan net assets are excluded from the accompanying general purpose financial statements.

While the District has full power and authority to administer and to adopt rules and regulations for the plan, all investment decisions under the plan are the responsibility of the plan participants. The District has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Under certain circumstances, employees may modify their arrangements with the plan to provide for greater or lesser contributions or to terminate their participation. If participants retire under the plan or terminate service with the District, they may be eligible to receive payments under the plan in accordance with provisions thereof. In the event of serious financial emergency, the District may approve, upon request, withdrawal from the plan by the participants, along with their allocated contributions. At June 30, 2022, assets of the plan totaled $79,726.

# *Required Supplementary Information*

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## LOWELL JOINT SCHOOL DISTRICT

*Budgetary Comparison Schedule – General Fund*
*For the Fiscal Year Ended June 30, 2022*

| | Budgeted Amounts | | Actual | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Pos (Neg) |
| **Revenues** | | | | |
| LCFF sources | $ 28,691,902 | $ 28,922,958 | $ 28,940,309 | $ 17,351 |
| Federal sources | 1,528,613 | 3,169,820 | 3,578,710 | 408,890 |
| Other state sources | 1,719,471 | 3,864,785 | 4,895,068 | 1,030,283 |
| Other local sources | 2,569,018 | 2,920,293 | 3,052,149 | 131,856 |
| Total Revenues | 34,509,004 | 38,877,856 | 40,466,236 | 1,588,380 |
| **Expenditures** | | | | |
| Current: | | | | |
| Certificated salaries | 15,609,572 | 16,678,209 | 16,872,713 | (194,504) |
| Classified salaries | 4,854,061 | 5,470,263 | 5,592,828 | (122,565) |
| Employee benefits | 9,140,595 | 9,768,375 | 11,331,944 | (1,563,569) |
| Books and supplies | 1,307,335 | 3,912,047 | 2,045,297 | 1,866,750 |
| Services and other operating expenditures | 1,905,157 | 2,954,136 | 2,335,425 | 618,711 |
| Transfers of indirect costs | (50,000) | (45,800) | (44,344) | (1,456) |
| Capital outlay | - | 78,389 | 77,689 | 700 |
| Intergovernmental | 360,285 | 363,537 | 350,370 | 13,167 |
| Total Expenditures | 33,127,005 | 39,179,156 | 38,561,922 | 617,234 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,381,999 | (301,300) | 1,904,314 | 2,205,614 |
| **Other Financing Sources and Uses** | | | | |
| Interfund Transfers Out | - | (100,000) | (100,000) | - |
| Total Other Financing Sources and Uses | - | (100,000) | (100,000) | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,381,999 | (401,300) | 1,804,314 | 2,205,614 |
| Fund Balances, July 1, 2021 | 9,733,337 | 12,332,803 | 12,332,803 | - |
| Fund Balances, June 30, 2022 | $ 11,115,336 | $ 11,931,503 | 14,137,117 | $ 2,205,614 |

| | |
|---|---|
| **Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:** | |
| Deferred Maintenance Fund | 2,285,659 |
| **Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:** | $ 16,422,776 |

## LOWELL JOINT SCHOOL DISTRICT

*Schedule of Proportionate Share of the Net Pension Liability-CalSTRS*
*For the Fiscal Year Ended June 30, 2022*

*Last Ten Fiscal Years**

| | 2020-21 | 2019-20 | 2018-19 | 2017-18 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.0280% | 0.0268% | 0.0265% | 0.0258% |
| District's proportionate share of the net pension liability | $ 12,723,736 | $ 26,006,899 | $ 23,920,337 | $ 23,742,714 |
| State's proportionate share of the net pension liability associated with the District | 6,402,090 | 13,406,560 | 13,050,141 | 13,593,814 |
| Totals | $ 19,125,826 | $ 39,413,459 | $ 36,970,478 | $ 37,336,528 |
| District's covered-employee payroll | $ 15,346,745 | $ 14,586,397 | $ 14,175,228 | $ 13,997,942 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 82.91% | 178.30% | 168.75% | 169.62% |
| Plan fiduciary net position as a percentage of the total pension liability | 87% | 72% | 73% | 71% |

| | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.0250% | 0.0270% | 0.0250% | 0.0280% |
| District's proportionate share of the net pension liability | $ 23,149,952 | $ 21,837,870 | $ 16,831,000 | $ 16,831,000 |
| State's proportionate share of the net pension liability associated with the District | 13,695,316 | 12,433,740 | 8,901,720 | 10,163,387 |
| Totals | $ 36,845,268 | $ 34,271,610 | $ 25,732,720 | $ 26,994,387 |
| District's covered-employee payroll | $ 13,252,997 | $ 13,241,445 | $ 12,798,224 | $ 11,954,788 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 174.68% | 164.92% | 131.51% | 140.79% |
| Plan fiduciary net position as a percentage of the total pension liability | 69% | 70% | 74% | 77% |

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

## LOWELL JOINT SCHOOL DISTRICT
*Schedule of Proportionate Share of the Net Pension Liability-CalPERS*
*For the Fiscal Year Ended June 30, 2022*

*Last Ten Fiscal Years**

| | 2020-21 | 2019-20 | 2018-19 | 2017-18 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.0300% | 0.0272% | 0.0260% | 0.0258% |
| District's proportionate share of the net pension liability | $ 6,106,815 | $ 8,358,040 | $ 7,588,302 | $ 6,866,935 |
| District's covered-employee payroll | $ 4,366,932 | $ 3,928,640 | $ 3,717,220 | $ 3,428,691 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 139.84% | 212.75% | 204.14% | 200.28% |
| Plan fiduciary net position as a percentage of the total pension liability | 81% | 70% | 70% | 71% |

| | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.0267% | 0.0279% | 0.0285% | 0.0266% |
| District's proportionate share of the net pension liability | $ 6,371,011 | $ 5,510,267 | $ 4,200,928 | $ 3,022,553 |
| District's covered-employee payroll | $ 3,410,354 | $ 3,413,413 | $ 3,071,880 | $ 2,977,583 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 186.81% | 161.43% | 136.75% | 101.51% |
| Plan fiduciary net position as a percentage of the total pension liability | 72% | 74% | 79% | 83% |

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

# LOWELL JOINT SCHOOL DISTRICT

*Schedule of Pension Contributions-CalSTRS*

*For the Fiscal Year Ended June 30, 2022*

*Last Ten Fiscal Years**

| | 2021-22 | 2020-21 | 2019-20 | 2018-19 |
|---|---|---|---|---|
| Contractually required contribution | $ 2,752,736 | $ 2,478,499 | $ 2,494,274 | $ 2,307,727 |
| Contributions in relation to the contractually required contribution | 2,752,736 | 2,478,499 | 2,494,274 | 2,307,727 |
| Contribution deficiency (excess): | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 16,269,125 | $ 15,346,745 | $ 14,586,397 | $ 14,175,228 |
| Contributions as a percentage of covered-employee payroll | 16.92% | 16.15% | 17.10% | 16.28% |

| | 2017-18 | 2016-17 | 2015-16 | 2014-15 |
|---|---|---|---|---|
| Contractually required contribution | $ 2,019,903 | $ 1,667,227 | $ 1,420,807 | $ 1,136,482 |
| Contributions in relation to the contractually required contribution | 2,019,903 | 1,667,227 | 1,420,807 | 1,136,482 |
| Contribution deficiency (excess): | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 13,997,942 | $ 13,252,997 | $ 13,241,445 | $ 12,798,224 |
| Contributions as a percentage of covered-employee payroll | 14.43% | 12.58% | 10.73% | 8.88% |

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

# LOWELL JOINT SCHOOL DISTRICT

*Schedule of Pension Contributions-CalPERS*
*For the Fiscal Year Ended June 30, 2022*

*Last Ten Fiscal Years**

| | 2021-22 | 2020-21 | 2019-20 | 2018-19 |
|---|---|---|---|---|
| Contractually required contribution | $ 1,095,450 | $ 903,955 | $ 774,767 | $ 671,404 |
| Contributions in relation to the contractually required contribution | 1,095,450 | 903,955 | 774,767 | 671,404 |
| Contribution deficiency (excess): | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 4,781,536 | $ 4,366,932 | $ 3,928,640 | $ 3,717,220 |
| Contributions as a percentage of covered-employee payroll | 22.910% | 20.700% | 19.721% | 18.062% |

| | 2017-18 | 2016-17 | 2015-16 | 2014-15 |
|---|---|---|---|---|
| Contractually required contribution | $ 532,510 | $ 473,630 | $ 404,387 | $ 361,591 |
| Contributions in relation to the contractually required contribution | 532,510 | 473,630 | 404,387 | 361,591 |
| Contribution deficiency (excess): | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 3,428,691 | $ 3,410,354 | $ 3,413,413 | $ 3,071,880 |
| Contributions as a percentage of covered-employee payroll | 15.531% | 13.888% | 11.847% | 11.771% |

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

**LOWELL JOINT SCHOOL DISTRICT**

*Schedule of Changes in the District's Total OPEB Liability and Related Ratios*

*For the Fiscal Year Ended June 30, 2022*

*Last Ten Fiscal Years**

| Employer's Fiscal Year<br>Measurement Period | 2021-22<br>2020-21 | 2020-21<br>2019-20 | 2019-20<br>2018-19 | 2018-19<br>2017-18 | 2017-18<br>2016-17 |
|---|---|---|---|---|---|
| **Total OPEB liability** | | | | | |
| Service cost | $ 615,993 | $ 600,464 | $ 489,135 | $ 455,123 | $ 441,867 |
| Interest | 358,485 | 389,044 | 385,262 | 328,707 | 318,118 |
| Differences between expected and actual experience | (3,268,001) | - | (127,892) | - | - |
| Changes of assumptions or other inputs | 1,125,260 | 1,623,317 | 1,317,728 | (742,533) | - |
| Benefit payments | (446,920) | (404,329) | (372,730) | (406,789) | (436,312) |
| **Net change in total OPEB liability** | (1,615,183) | 2,208,496 | 1,691,503 | (365,492) | 323,673 |
| **Total OPEB liability - beginning** | 14,238,156 | 12,029,660 | 10,338,157 | 10,703,649 | 10,379,976 |
| **Total OPEB liability - ending** | $ 12,622,973 | $ 14,238,156 | $ 12,029,660 | $ 10,338,157 | $ 10,703,649 |
| **Covered-employee payroll** | $ 17,499,937 | $ 17,721,154 | $ 17,220,221 | $ 18,705,914 | $ 17,737,894 |
| **Total OPEB liability as a percentage of covered-employee payroll** | 72.13% | 80.35% | 69.86% | 55.27% | 60.34% |

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

## LOWELL JOINT SCHOOL DISTRICT

*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program*
*For the Fiscal Year Ended June 30, 2022*

*Last Ten Fiscal Years**

| **Employer's Fiscal Year**<br>**Measurement Period** | **2021-22**<br>**2020-21** | **2020-21**<br>**2019-20** | **2019-20**<br>**2018-19** | **2018-19**<br>**2017-18** | **2017-18**<br>**2016-17** |
|---|---|---|---|---|---|
| District's proportion of net OPEB liability | 0.0420% | 0.0407% | 0.0409% | 0.0406% | 0.0398% |
| District's proportionate share of net OPEB liability | $ 167,632 | $ 172,356 | $ 152,439 | $ 155,497 | $ 167,616 |
| Covered-employee payroll | N/A | N/A | N/A | N/A | N/A |
| District's net OPEB liability as a percentage of covered-employee payroll | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | (0.71%) | (0.81%) | 0.40% | 0.01% |

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

## NOTE 1 – PURPOSE OF SCHEDULES

### Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the *Governmental Accounting Standards Board* and provisions of the *California Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoptions with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

### Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

***Change in benefit terms*** – There were no changes in benefit terms since the previous valuations for either CalSTRS and CalPERS.

***Change of assumptions* -** There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

### Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

### Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

***Change in benefit terms*** – There were no changes in benefit terms since the previous valuation.

***Change of assumptions*** – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 2.45 percent to 1.92 percent since the previous valuation.

**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program**
This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented. As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP program; therefore, the covered payroll disclosure is not applicable.

***Change in benefit terms*** – There were no changes in benefit terms since the previous valuation.

***Change of assumptions*** – The discount rate was changed from 2.21 percent to 2.16 percent since the previous valuation.

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# *Supplementary Information*

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The Lowell Joint School District was established in 1906 and is located in the southeastern portion of Los Angeles County and the northwestern portion of Orange County. It serves families from the communities of La Habra, La Habra Heights, and Whittier. There were no changes in the boundaries of the District during the current year. The District operates five elementary schools and one intermediate school.

The Board of Trustees and the District Administration for the fiscal year ending June 30, 2022 were as follows:

**GOVERNING BOARD**

| **Member** | **Office** | **Term Expires** |
|---|---|---|
| Melissa Salinas | President | December, 2024 |
| Karen Shaw | Vice President | December, 2022 |
| Anastasia Shackelford | Clerk | December, 2022 |
| William Hinz[1] | Member | December, 2022 |
| Anthony Zegarra | Member | December, 2024 |

**DISTRICT ADMINISTRATORS**

Jim Coombs,
*Superintendent*

Sheri McDonald, Ed.D.,
*Assistant Superintendent, Instruction*

Andrea Reynolds,[2]
*Assistant Superintendent, Administrative Services*

David Bennett,
*Assistant Superintendent, Facilities and Operations*

[1]Resigned June 5, 2022. Board seat is currently held by Christine Berg.
[2]Retired November 14, 2022.

**LOWELL JOINT SCHOOL DISTRICT**
*Schedule of Average Daily Attendance*
*For the Fiscal Year Ended June 30, 2022*

| | Reported to CDE | |
|---|---|---|
| | Second Period Report | Annual Report |
| **Regular ADA & Extended Year:** | | |
| TK/Grades K-3 | 1,194.04 | 1,205.48 |
| Grades 4-6 | 949.95 | 949.06 |
| Grades 7-8 | 750.05 | 744.33 |
| Total ADA | 2,894.04 | 2,898.87 |

| | Audited | |
|---|---|---|
| | Second Period Report | Annual Report |
| **Regular ADA & Extended Year:** | | |
| TK/Grades K-3 | 1,187.98 | 1,200.74 |
| Grades 4-6 | 947.84 | 947.36 |
| Grades 7-8 | 737.88 | 736.05 |
| Total ADA | 2,873.70 | 2,884.15 |

**LOWELL JOINT SCHOOL DISTRICT**
*Schedule of Instructional Time*
*For the Fiscal Year Ended June 30, 2022*

| Grade Level | Instructional Minutes Requirement | Instructional Minutes Offered | Instructional Days Offered | Status |
|---|---|---|---|---|
| Kindergarten | 36,000 | 46,325 | 180 | Complied |
| Grade 1 | 50,400 | 54,955 | 180 | Complied |
| Grade 2 | 50,400 | 54,955 | 180 | Complied |
| Grade 3 | 50,400 | 54,955 | 180 | Complied |
| Grade 4 | 54,000 | 54,955 | 180 | Complied |
| Grade 5 | 54,000 | 54,955 | 180 | Complied |
| Grade 6 | 54,000 | 54,955 | 180 | Complied |
| Grade 7 | 54,000 | 60,482 | 180 | Complied |
| Grade 8 | 54,000 | 60,482 | 180 | Complied |

**LOWELL JOINT SCHOOL DISTRICT**
*Schedule of Financial Trends and Analysis*
*For the Fiscal Year Ended June 30, 2022*

| General Fund | (Budget) 2023 [2] | 2022 [3] | 2021 | 2020 |
|---|---|---|---|---|
| Revenues and other financing sources | $ 37,384,867 | $ 40,466,236 | $ 35,642,390 | $ 32,640,222 |
| Expenditures | 38,278,148 | 38,561,922 | 32,072,881 | 30,943,751 |
| Other uses and transfers out | - | 100,000 | - | 286,121 |
| Total outgo | 38,278,148 | 38,661,922 | 32,072,881 | 31,229,872 |
| Change in fund balance (deficit) | (893,281) | 1,804,314 | 3,569,509 | 1,410,350 |
| Ending fund balance | $ 13,243,836 | $ 14,137,117 | $ 12,332,803 | $ 8,763,294 |
| Available reserves [1] | $ 2,186,391 | $ 4,930,879 | $ 1,603,644 | $ 5,086,503 |
| Available reserves as a percentage of total outgo | 5.7% | 12.8% | 5.0% | 16.3% |
| Total long-term debt | $ 79,638,851 | $ 80,436,095 | $ 98,635,587 | $ 58,580,226 |
| Average daily attendance at P-2 | 2,939 | 2,894 | N/A | 3,056 |

The General Fund balance has increased by $5,373,823 over the past two years. The fiscal year 2022-23 adopted budget projects a decrease of $893,281. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has experienced an operating surplus in each of the past three years, but anticipates incurring an operating deficit during the 2022-23 fiscal year. Long-term debt has increased by $21.9 million over the past two years.

Average daily attendance decreased by 162 in 2021-22 compared to the 2019-20 year. Budgeted ADA for 2022-23 is 2,939.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Revised Final Budget September, 2022.

[3] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54.

***There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.***

## LOWELL JOINT SCHOOL DISTRICT

*Schedule of Expenditures of Federal Awards*
*For the Fiscal Year Ended June 30, 2022*

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Assistance Listing Number | Pass-Through Entity Identifying Number | Cluster Expenditures | Federal Expenditures |
|---|---|---|---|---|
| Federal Programs: | | | | |
| U.S. Department of Agriculture: | | | | |
| Passed through California Dept. of Education (CDE): | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program - Especially Needy | 10.553 | 13526 | $ 333,927 | |
| Summer Food Service Program Operations | 10.559 | 13004 | 1,008,393 | |
| USDA Donated Foods | 10.555 | 13391 | 63,926 | |
| Total Child Nutrition Cluster | | | | $ 1,406,246 |
| Total U.S. Department of Agriculture | | | | 1,406,246 |
| U.S. Department of Education: | | | | |
| Passed through California Dept. of Education (CDE): | | | | |
| Every Student Succeeds Act (ESSA): | | | | |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | | 438,127 |
| Title II, Part A, Supporting Effective Instruction | 84.367 | 14341 | | 83,874 |
| Title III, Limited English Proficiency | 84.365 | 14346 | | 607 |
| Title IV, Part A, Student Support and Academic Enrichment Grants | 84.424 | 15396 | | 17,013 |
| COVID-19: Education Stabilization Funds: | | | | |
| Elementary and Secondary School Emergency Relief II (ESSER II) Fund | 84.425D | 15547 | 832,921 | |
| Elementary and Secondary School Emergency Relief III (ESSER III) Fund | 84.425U | 15559 | 181,723 | |
| Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss | 84.425U | 10155 | 231,436 | |
| Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve | 84.425D | 15618 | 244,401 | |
| Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Learning Loss | 84.425U | 15535 | 234,181 | |
| Total Education Stabilization Funds | | | | 1,724,662 |
| Passed through North Orange County SELPA: | | | | |
| Individuals with Disabilities Education Act (IDEA): | | | | |
| Special Education Cluster: | | | | |
| Basic Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 645,148 | |
| Preschool Grants, Part B, Section 619 (Age 3-4-5) | 84.173 | 13430 | 19,442 | |
| COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement | 84.027 | 15638 | 128,325 | |
| COVID-19: ARP IDEA Part B, Sec. 619, Preschool Grants | 84.173 | 15639 | 13,607 | |
| Total Special Education Cluster | | | | 806,522 |
| Total U.S. Department of Education | | | | 3,070,805 |
| U.S. Department of Health & Human Services: | | | | |
| Passed through Los Angeles County Office of Education (LACOE): | | | | |
| COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases | 93.323 | N/A | | 507,906 |
| Total U.S. Department of Health & Human Services | | | | 507,906 |
| Total Expenditures of Federal Awards | | | | $ 4,984,957 |

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

## NOTE 1 – PURPOSE OF SCHEDULES

**Schedule of Average Daily Attendance (ADA)**
Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**Schedule of Instructional Time**
This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

**Schedule of Financial Trends and Analysis**
This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time. The instructional time presented in this schedule includes the days that the District was closed due to the COVID-19 pandemic.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

**Schedule of Expenditures of Federal Awards**
The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

| | Assistance Listing Number | Amount |
|---|---|---|
| Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances | | $ 5,436,700 |
| Differences between Federal Revenues and Expenditures: | | |
| Child Nutrition Cluster | 10.553, 10.555, 10.559 | (451,743) |
| Total Schedule of Expenditures of Federal Awards | | $ 4,984,957 |

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# *Other Independent Auditors' Reports*

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A Professional Accountancy Corporation

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Lowell Joint School District
Whittier, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowell Joint School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



*Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA*

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**Report on Compliance and Other Matters**
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Lowell Joint School District's Response to Findings**
*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
December 13, 2022

A Professional Accountancy Corporation

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Lowell Joint School District
Whittier, California

**Report on Compliance for Each Major Federal Program**
We have audited the Lowell Joint School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Lowell Joint School District's major federal programs for the year ended June 30, 2022. The Lowell Joint School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Lowell Joint School District compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Lowell Joint School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Lowell Joint School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Lowell Joint School District's federal program.



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***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Lowell Joint School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Lowell Joint School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Lowell Joint School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Lowell Joint School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Lowell Joint School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
December 13, 2022

A Professional Accountancy Corporation

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Board of Trustees
Lowell Joint School District
Whittier, California

**Report on Compliance**

***Opinion***
We have audited the Lowell Joint School District's (District) compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2022.

In our opinion, Lowell Joint School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

***Basis for Opinion***
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***
Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Lowell Joint School District's state programs.



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***Auditors' Responsibilities for the Audit of Compliance***
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2021-22 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

| Description | Procedures Performed |
|---|---|
| Local Education Agencies Other Than Charter Schools: | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | Yes |
| Continuation Education | Not Applicable |
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | Not Applicable |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | Not Applicable |
| Middle or Early College High Schools | Not Applicable |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | Not Applicable |

| Description | Procedures Performed |
|---|---|
| School Districts, County Offices of Education, and Charter Schools: | |
| California Clean Energy Jobs Act | Yes |
| After/Before School Education and Safety Program | Not Applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study – Course Based | Not Applicable |
| Immunizations | Yes |
| Educator Effectiveness | Yes |
| Expanded Learning Opportunities Grant (ELO-G) | Yes |
| Career Technical Education Incentive Grant | Not Applicable |
| In Person Instruction Grant | Yes |
| Charter Schools: | |
| Attendance | Not Applicable |
| Mode of Instruction | Not Applicable |
| Nonclassroom-Based Instruction/Independent Study | Not Applicable |
| Determination of Funding for Nonclassroom-Based Instruction | Not Applicable |
| Annual Instructional Minutes – Classroom-Based | Not Applicable |
| Charter School Facility Grant Program | Not Applicable |

Areas marked as not applicable were not operated by the District.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify in the audit.

***Other Matters***
The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings 2022-001 and 2022-002.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

***Report on Internal Control over Compliance***
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identity all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
December 13, 2022

# *Schedule of Findings and Questioned Costs*

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**LOWELL JOINT SCHOOL DISTRICT**
*Summary of Auditors' Results*
*For the Fiscal Year Ended June 30, 2022*

***Financial Statements***

| | |
|---|---|
| Type of auditors' report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(s) identified not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

***Federal Awards***

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(s) identified not considered to be material weaknesses? | None reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516(a)? | No |

Identification of major programs:

| Assistance Listing Numbers | Name of Federal Program or Cluster |
|---|---|
| 10.553, 10.555, & 10.559 | Child Nutrition Cluster |
| 84.027, 84.173 | Special Education (IDEA) Cluster |
| 84.425D, 84.425U | Education Stabilization Fund |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 750,000 |
| Auditee qualified as low-risk auditee? | Yes |

***State Awards***

| | |
|---|---|
| Type of auditors' report issued on compliance for state programs: | Unmodified |

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

| Five Digit Code | AB 3627 Finding Types |
|---|---|
| 10000 | Attendance |
| 20000 | Inventory of Equipment |
| 30000 | Internal Control |
| 40000 | State Compliance |
| 42000 | Charter School Facilities Programs |
| 43000 | Apprenticeship: Related and Supplemental Instruction |
| 50000 | Federal Compliance |
| 60000 | Miscellaneous |
| 61000 | Classroom Teacher Salaries |
| 62000 | Local Control Accountability Plan |
| 70000 | Instructional Materials |
| 71000 | Teacher Misassignments |
| 72000 | School Accountability Report Card |

***There were no financial statement findings in 2021-22.***

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

***There were no federal award findings or questioned costs in 2021-22.***

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

**Finding 2022-001: Independent Study Attendance Reporting (10000)**

**Criteria:** Pursuant to Education Code Section 51744-51749.6, every written independent study agreement is required to contain the following required elements:

1. The manner, time, frequency, and place for submitting a pupil's assignments and for reporting his or her progress, and for communicating with a pupil's parent or guardian regarding a pupil's academic progress.
2. The objectives and methods of study (pupil activities selected by the supervising teacher as the means to reach the educational objectives set forth in the written agreement) for the pupil's work
3. The methods utilized used to evaluate that work (any specified procedure through which a certificated teacher personally assesses the extent to which the pupils achieved the objectives set forth in the written assignment)
4. The specific resources, including materials and personnel, to be made available to the pupils (resources reasonably necessary to the achievement of the objectives in the written agreement, not to exclude resources normally available to all pupils on the same terms as the terms on which they are normally available to all pupils). These resources shall include confirming or providing access to all pupils to the connectivity and devices adequate to participate in the educational program and complete assigned work.
5. A statement of the policies adopted pursuant to subdivisions (a) and (b) of Education Code Section 51747:
    - A. The maximum length of time allowed between the assignment and the completion of a pupil's assigned work; and
    - B. The level of satisfactory educational progress as defined in Education Code Section 51747(b)(2)(A)-(D); and
    - C. The number of assignments a pupil may miss before there must be an evaluation of whether it is in the pupil's best interests to continue in independent study.
6. The duration of the independent study agreement, including the beginning and ending dates for the pupil's participation in independent study under the agreement, with no agreement being for longer than one school year
7. A statement of the number of course credits or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil upon completion
8. A statement detailing the academic and other supports that will be provided to address the needs of pupils who are not performing at grade level, or need support in other areas, such as English learners, individuals with exceptional needs in order to be consistent with the pupil's individualized education program or plan pursuant to Education Code Section 504 of the federal Rehabilitation Act of 1973 (29 U.S.C. Sec. 794), pupils in foster care or experiencing homelessness, and pupils requiring mental health supports.
9. A statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate.

**Condition:** During testing of short-term independent study attendance at the school sites, we noted the following elements were missing from the agreements in use at the school sites:

- Specific resources, including materials and personnel, to be made available by the District
    - Shall include confirming or providing access to the connectivity and devices adequate to participate in the program and complete work.
- A statement detailing the academic and other supports that will be provided to address the needs of pupils who are not performing at grade level, or need support in other areas

**Finding 2022-001: Independent Study Attendance Reporting (10000) (continued)**

**Context:** Errors were noted at both schools that were selected for testing short-term independent study attendance, including one elementary school and the middle school.

**Cause:** Like many school districts in California, the District was unable to communicate timely with school sites the necessary changes in law governing independent study agreements.

**Effect:** The District must disallow 20.05 ADA from its P-2 report of attendance for these invalid agreements.

- Grades TK/K-3: 6.47 ADA
- Grades 4-6: 2.32 ADA
- Grades 7-8: 11.26 ADA

Using the District's "Derived Value of ADA", the penalty associated with this finding is $187,949; however, due to the ADA-yield flexibility enacted for the 2021-22 school year, we do not expect this finding to have a financial impact on the District.

**Recommendation:** We recommend that all independent study agreements be updated to reflect all required elements. Furthermore, the District should ensure that all schools are using the same agreement.

**Views of Responsible Officials:** Given the fact that many schools in California experienced the same issue and finding, it is the intent that the District will appeal this finding. Aside from the appeal, the District will update all independent study agreements to reflect all required elements and ensure that all schools are using the same agreement.

**Finding 2022-002: Attendance Accounting (10000)**

**Criteria**: California Education Code section 46000 states: Attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education, subject to the provisions of this chapter. Good internal controls require the District to review its pupil attendance reporting processes and ensure that attendance policies and procedures are maintained and followed at all school sites.

**Condition:** During our review of P-2 ADA totals reported by the District to CDE, we noted that the District misstated ADA in Grades TK-8. Furthermore, the District failed to complete the informational line items, including lines B-1 and B-5.

**Effect:** The net amount of P-2 ADA misstated was 0.29 overreported, which breaks down by grade span as follows:

- TK/K-3: Underreported by 0.41 ADA
- Grades 4-6: Underreported by 0.21 ADA
- Grades 7-8: Overreported by 0.91

Using the District's "Derived Value of ADA", the penalty associated with this finding is $2,520; however, due to the ADA-yield flexibility enacted for the 2021-22 school year, we do not expect this finding to have a financial impact on the District.

In addition, the amount of ADA that should have been reported on line B-1 for full-time traditional independent study was 61.44. The amount of ADA that should have been reported on line B-5 for transitional kindergarten was 93.33. These lines are for informational purposes only, so there is no financial impact from this finding.

**Finding 2022-002: Attendance Accounting (10000) (continued)**

**Cause:** The District noted this error during the audit process and attempted to make revisions but was unable to do so because of a closure in the attendance reporting window.

**Recommendation:** We recommend that the District develop policies and procedures, and implement controls to ensure that pupil attendance is recorded and reported consistently and accurately.

**Views of Responsible Officials:** District will develop policies and procedures, and implement controls to ensure that pupil attendance is recorded and reported consistently and accurately.

**LOWELL JOINT SCHOOL DISTRICT**
*Summary Schedule of Prior Audit Findings*
*For the Fiscal Year Ended June 30, 2022*

***There were no findings or questioned costs in 2020-21***